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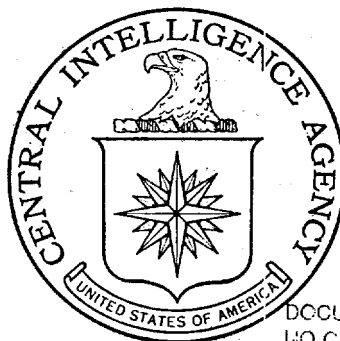


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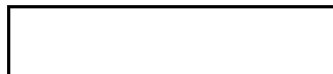
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ARABS DEMAND HIGHER OIL ROYALTIES Page 15

The Western oil industry in the Middle East is faced with another round of Arab demands for higher revenues. (SEE MAP)

SPECIAL ARTICLE. ANALYSIS OF THE PURGES IN THE USSR's
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The nature of the purges in Georgia since 1951 suggests that Beria was held personally responsible for the Georgian political situation. The purges therefore shed some light on the changing fortunes of Beria throughout this period.

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THE SOVIET WORLD

The Soviet Union's demand that the UN Security Council try again to set up an international administration for the Free Territory of Trieste, together with the 12 October Soviet note, represents an attempt to capitalize on the dispute in the hope of thwarting a Trieste settlement and to maintain the pose of upholding peace treaties.

The Soviet note did not mention Yugoslavia, and Ambassador Bohlen believes that the Kremlin is being careful to avoid the appearance of supporting the Yugoslav position. The Soviet maneuvers may be intended to create suspicions in Allied quarters regarding Soviet-Yugoslav relations. Yugoslav UN delegates, however, reportedly had attempted to dissuade Vyshinsky from making the proposal at this time.

A Pravda editorial of 12 October addressed itself to recent suggestions from the West that Soviet fear of attack might be relieved by some kind of nonaggression pact. Ignoring the proposals advanced by Churchill, Adenauer and the French UN delegate, Pravda centered its attack on "utterances by a number of leading Americans to the effect that NATO might allegedly become 'a guarantee of security' for all European states, including the USSR." This treatment suggests that Moscow is anxious to avoid even an exchange of views on a nonaggression commitment since it would inevitably raise such explosive issues as permanent frontiers, and Soviet domination of Eastern Europe, and would even challenge the alleged Communist apprehensions of the outside world's aggressive intentions.

Pravda's reaction appeared to hint that, in the event of an actual Western offer of a security pact, the Soviet leaders would demand the dissolution of NATO and American withdrawal from overseas bases before they would seriously consider such an arrangement.

After the failure of repeated Communist attempts to induce the UN to reconsider on the composition of the Korean political conference, Chou En-lai on 10 October accepted the United States' proposals for a meeting to discuss time and place for the conference to be held.

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The only modification of Chou's position of 13 September is the dropping of the demand that Chinese and North Korean representatives be invited to conduct "joint negotiations" at the UN General Assembly. His current statement waters down, but does not withdraw, the earlier demand for settlement of the composition question before discussing the time and place.

Chou's statement was probably timed to give new life to Western hopes that Moscow's professed interest in reducing international tension through negotiations is genuine. The Communists still appear to see a greater gain for the immediate future in exploiting the actual and potential differences of opinion between the United States and other UN members on procedural questions than by negotiating on substantive issues.

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YUGOSLAV REACTION TO THE AMERICAN-BRITISH
ANNOUNCEMENT ON TRIESTE

Yugoslavia's violent reaction to the Anglo-American decision to turn over the administration of Zone A of Trieste to Italy is intended to delay withdrawal of Allied troops from the zone. Belgrade would prefer to use diplomatic means to avoid a showdown, but has committed itself to military action should Italian troops enter Zone A.

In his speeches of 10 and 11 October, Tito emphasized that Yugoslavia would consider the entrance of Italian troops into Zone A as an act of aggression, and warned that Yugoslav forces would march into the zone the moment such a move was attempted. The Yugoslavs have reportedly sent one marine and one paratroop unit to Zone B, and have reinforced the areas bordering the Free Territory and Italy with one infantry and elements of one tank division. The Yugoslav assistant military attache in Rome told an American official that three additional divisions, one naval and one air unit had been ordered to positions along the Yugoslav zonal boundary.

By closing the zonal boundaries Yugoslavia has prevented confirmation of strength increases in Zone B, but observations by American officials tend to support reports that reinforcements have been moved into the border areas. It is possible that Yugoslavia intends merely to stage a military demonstration designed to give added force to its diplomatic moves. However, the movement of troops into the immediate vicinity of the Italian border would heighten tension in that area and increase Yugoslavia's capabilities for attack should Belgrade decide to resort to force.

Belgrade has attempted by threats and diplomatic maneuvers to force the United States and Great Britain to choose between a four-power conference for reconsideration of the 8 October demarche on Trieste, or a United Nations debate on the dispute as a "threat to the peace." Justifying its action on grounds that the United States and Great Britain have violated the Italian Peace Treaty of 1947 and offered a "concession to Italian expansionism," which poses a direct threat to the national security of Yugoslavia, Belgrade on 12 October brought the issue to the UN's attention. The Yugoslav note to the United Nations, however, expressed the hope that action by the international body might be obviated by an elimination of the "rising dangerous situation" through direct negotiations with Yugoslavia, the United States, Great Britain, and Italy.

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Concurrent Yugoslav notes to the United States and Great Britain emphasized that there would be no object to the suggested four-power conference unless action on the American-British decision was in the meantime delayed. By taking this action, Belgrade hoped at least to delay the withdrawal of American-British forces from Zone A, and possibly to win a more favorable settlement.

Despite Tito's assurances that neither East nor West will be allowed to exploit the pressures which have been brought against him as a result of his firm attitude on Trieste, Yugoslavia's present position is highly vulnerable to Soviet divisive tactics. Anticipating the possibility that his belligerent attitude might affect Yugoslavia's relations with the West and lead to a cut in Western assistance, Tito has publicly taken the position that "we cannot sell our country for this aid."

The USSR has already entered the dispute by protesting against the unilateral decision of the United States and Britain and demanding that the United Nations proceed with the establishment of a Free Territory of Trieste according to the terms of the Italian Peace Treaty of 1947. This Soviet proposal is entirely unacceptable to the countries directly concerned with the problem, and will only confuse the issue further.

Belgrade has assumed a stand from which it will have great difficulty retreating. Commitments have been made which the Yugoslavs will find impossible to ignore and damaging to withdraw, and Tito has raised the stakes by allowing the issue to assume the proportions of a contest involving national honor and the prestige of his party and government.

Under the circumstances, Tito cannot easily afford to lose his gamble. If he is unable to win a more favorable settlement of the Trieste issue or at least effect some change in the American-British solution and thus save face, the possibility that he will choose to take military action cannot be excluded. The consensus among Allied officials in Trieste is that Tito is sincere in his threats, and will not tolerate the entrance of Italian troops into Zone A under present circumstances.

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PROSPECTS FOR SETTLING THE SAAR QUESTION

Forthcoming French-German negotiations for a Saar settlement, which is a prerequisite for French ratification of EDC, will take place in the context of the more favorable diplomatic situation produced by the 6 September West German election. There are still some knotty problems to be resolved, however, including the permanence of any proposed solution, the issue of economic rights, and the question of "free elections."

Talks between Chancellor Adenauer and Foreign Minister Bidault are scheduled to follow the preliminary conversations expected to begin on 15 October. Premier Laniel has indicated that he also intends shortly to take a hand in the negotiations. Both sides have expressed confidence that an early agreement can be reached.

At present the French seem to be waiting for Adenauer to follow up his hint of detailed plans for a comprehensive settlement, for which the most likely basis is the "Europeanization" concept developed by him and former foreign minister Schuman in 1952 and recently recommended in the van der Goes report to the Council of Europe. The main difficulty will be to devise a formula which will meet France's demand for a definitive solution and at the same time be indefinite enough to overcome German fears that it could be used as a precedent for an eastern border settlement in any peace treaty negotiations.

As defined in the Council of Europe report, under "Europeanization" the Saar would become "European territory" guaranteed by France, Germany, Britain, and the United States. The territory would have political autonomy under a European commissioner for external affairs and defense, and a Saar delegation would be admitted to the assembly of the EDC and the Coal-Steel Community. The existing economic union between France and the Saar would be replaced by a 50-year treaty of "economic cooperation." Reaction to these recommendations has been fairly favorable in the Saar, somewhat less favorable in the French government, and thus far cool among West German officials.

France has indicated that it will not accept a treaty of "economic cooperation" without a guarantee that the French-Saar customs and currency union will continue until a similar

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integrated European union is established. In return, the French might agree to offer Germany some special trading status within the framework of the French-Saar customs union. Moreover, they might also approve some other recommendations of the Council's report, including that for a trilateral convention protecting German culture in the Saar.

The method of submitting to the Saarlanders for approval any agreement evolving from French-German talks is also unresolved. The Germans, for whom the Saar question is primarily political rather than economic, have maintained that the political rights of pro-German groups in the Saar should be recognized immediately and that any French-German solution should be submitted to a "freely elected" Saar Landtag. The French have steadfastly insisted that a popular referendum, limited to acceptance or rejection of the solution, should precede "free elections."

Although the German stand on this point was supposedly softened last spring, Adenauer raised it again shortly after his electoral victory. He may, however, be merely attempting to establish a strong bargaining position in order to ensure obtaining a solution which would satisfy Bundestag sentiment.

Aside from rightist opposition to political separation of the Saar, the Bundestag can be expected to demand that any settlement eliminating future reunion with Germany must be conditioned firmly on European integration. Some Christian Democratic leaders are demanding that any agreement be subject to revision within ten years and that it be reviewed whenever a peace treaty is negotiated. Some leaders of the minor coalition parties have threatened to leave the government should Adenauer go "too far" in concessions to France.

Although the French would most probably refuse to write any provision along these lines into an agreement, Adenauer might be able to secure Bundestag approval of a solution by arguing that such a condition was implicit though not explicit.

The Saarlanders, most of whom accept their present political separation from Germany, continually press the French for more autonomy and therefore will probably not be reluctant to become citizens of the first "European territory."

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FISHING DISPUTE OBSTRUCTS NORMAL JAPANESE-KOREAN RELATIONS

Renewed efforts to regularize Japanese-Korean relations, following the recent increase in South Korean seizures of Japanese fishing vessels, offer little prospect of success because of mutual unwillingness to make concessions. A basic Japanese feeling of superiority and the traditional Korean suspicion of Japan prejudice any attempt to establish normal relations.

The impasse over fishing rights and property claims caused a recess in July of the intermittent negotiations for an over-all settlement which had begun in October 1951. This impasse nullified the progress toward agreements on such problems as the status of Korean residents in Japan, a basic treaty, and Korean claims to vessels formerly of Korean registry.

President Rhee responded to the suspension of the UN Sea Defense Zone in late August by ordering the South Korean navy to exclude Japanese fishing craft from international waters within the unilaterally imposed "Rhee line" (see map, p. 12). This action directly contravened earlier UN Command directives.

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The Korean seizure of Japanese fishing vessels, including an official fisheries patrol boat, provoked a strong popular reaction in Japan spearheaded by politically influential fishing interests. Despite powerful sentiment in the Japanese cabinet for retaliatory moves, including expulsion of the Korean minister and use of naval craft to protect Japanese fishing boats, action was postponed in an effort to avoid embarrassing the United States or causing an open break with South Korea.

Japan on 24 September proposed that bilateral negotiations be resumed, with priority to be given the fisheries issue. The Japanese would have preferred to discuss only the fishing question, but in deference to President Rhee's insistence on simultaneous treatment of all issues, they proposed full-scale talks. The new talks began on 6 October.

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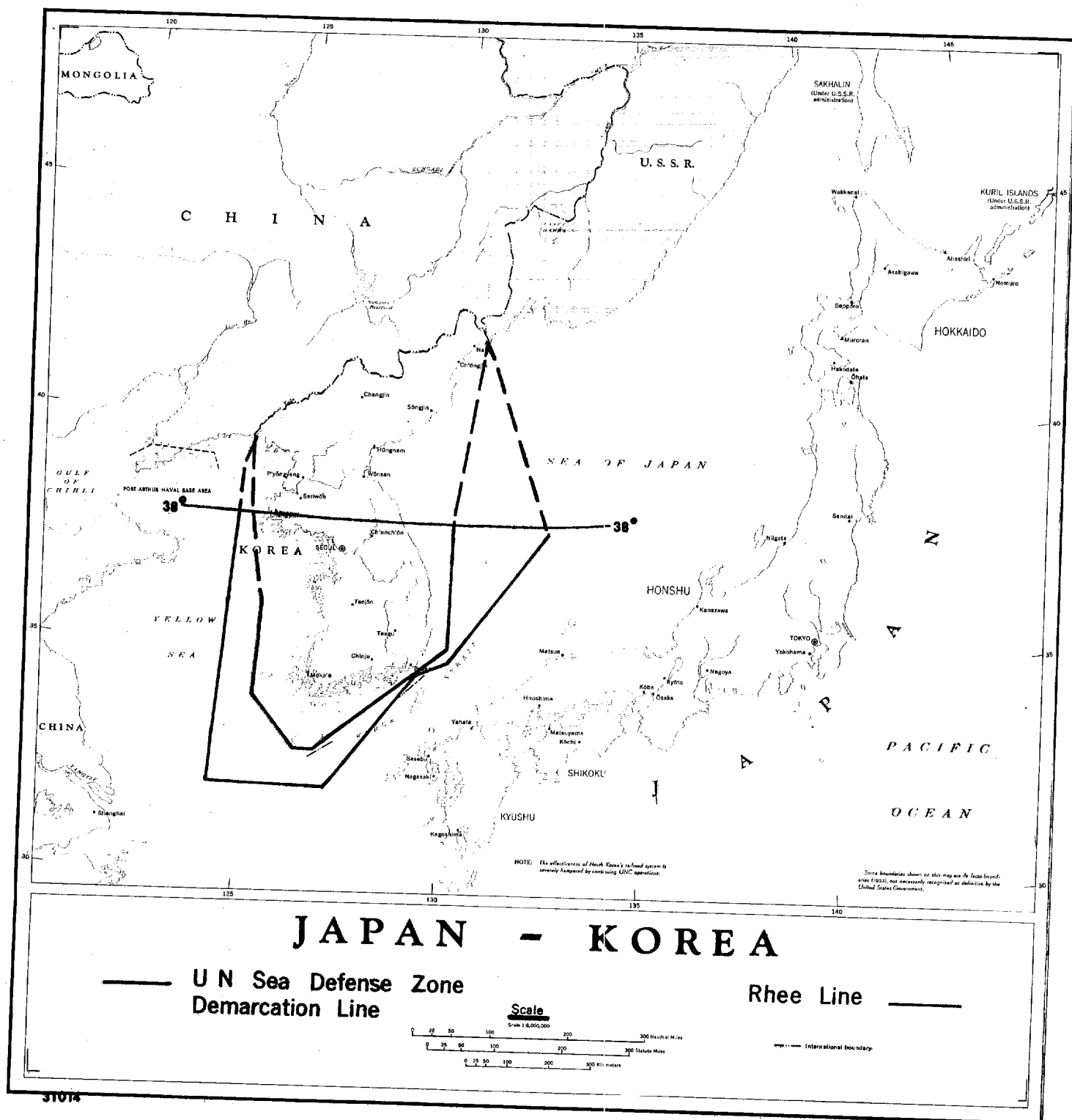
The initial meeting produced no visible sign of a new basis for a settlement. Subsequent talks apparently have convinced the Japanese that South Korea genuinely fears Japanese competition against its poorly equipped fishing fleet and that Korea will not accept Japan's proposal to settle the fisheries problem by a conservation agreement. The Japanese feel the Koreans will insist on "reserved areas" as a minimum demand. While Japan cannot formally recognize such areas, the implication that it might "voluntarily" refrain from fishing in them may offer limited room for negotiation.

The Japanese feel, however, that the conference may quickly reach an impasse over their request that Korea return captured vessels, permit the dispatch of a mission to Pusan to assist the detained fishermen, and suspend seizures to create a favorable atmosphere for the negotiations. Even if Korea rejects this request, Japan probably will not break off the discussions unless internal political pressure or public opinion forces it.

Rhee's attitude toward Japan is more vindictive than objective, and a solution of over-all Japanese-Korean issues while Rhee remains in power is doubtful. Over and above his life-long anti-Japanese bias, he genuinely fears that the Japanese, with their superior equipment, might eventually monopolize fishing in the waters off Korea. He also believes that aggressiveness on the fisheries question may enable him to extract concessions from Japan on other issues where his bargaining position is weaker.

Neither of the two governments is likely to make the substantial and politically unpopular concessions necessary for a rapprochement. Since a request for American intervention would probably follow a breakdown of the negotiations, the possibility of the United States being involved increases as the situation is prolonged.

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NEW SATELLITE APPROACH TO CHRONIC
AGRICULTURAL PROBLEMS

In an effort to raise agricultural production, which has not yet reached prewar levels, the Eastern European governments in recent months have introduced new agricultural policies including increased state aid to peasants and substantial material incentives. Agricultural production since the war has suffered from emphasis on heavy industry and from the peasants' low morale and resistance to collectivization.

The first of these new policies was announced in East Germany in June, and by mid-September all the Satellites had followed suit in varying degrees.

In Hungary, Rumania and Albania, concessions have been more extensive than in Poland and Czechoslovakia, possibly because of fear of peasant resistance to this year's crop collection program. Farmers in the first three countries have been promised additional equipment and consumer goods, their debts and quota arrears caused by the natural disasters of 1952 have been canceled, and taxes and quotas on future crops have been reduced. In Poland, Czechoslovakia, and East Germany, agricultural investments will be increased and debts in arrears will be canceled or payments postponed. In Czechoslovakia and Hungary increased credits are to be extended, largely for the purchase of fertilizer, and higher prices are to be paid to the peasants for some crops.

Substantially lower delivery quotas were decreed in East Germany, where the agricultural labor shortage has been aggravated by the flow of people from the countryside to industry and by defection to the West. Similar reductions are to apply to both private and collective farmers in all of Eastern Europe, although concessions to collective farmers are more extensive.

Announcements of the new policies were accompanied by assurances of the voluntary nature of collectivization and emphasis on the need for consolidation and cautious expansion of the collectives. In Hungary, however, Premier Nagy's 4 July speech promising that members could leave collectives at the end of the harvest was interpreted by many peasants as signaling the abandonment of collectivization. Many prepared to withdraw immediately, thereby endangering the harvest and causing confusion and poor morale in local party cadres.

Since then, the Hungarian regime has restricted the right to withdraw from collectives by discriminatory measures and by threatening peasants with severe penalties. Leaders in other Satellites have carefully avoided promising peasants permission to withdraw.

These new Satellite policies represent an adaptation to local conditions of recent concessions made in the USSR in order to promote greater agricultural production. The chief difference between the Soviet and Satellite policies is that the Soviet concessions are aimed at getting increased production from collectivized peasants while in the Satellites, where private farms are still responsible for considerably more than half of the agricultural production, concessions are being made not only to the collectivized sector, but also to the independent peasants, and in some cases at the expense of the collectivization program.

The new policy also places emphasis on raising the low level of mechanization which has handicapped agriculture in Eastern Europe. Since the domestic industry is unable to fulfill the need for implements, the Soviet Union has made commitments to aid Czech agricultural mechanization and possibly other Satellites as well. However, a 29 September decree of the Supreme Soviet stated that the USSR would place orders for some types of agricultural equipment with the People's Democracies. It seems unlikely that Satellite agriculture will receive substantial aid from the Soviet Union.

The lack of consumer goods in rural areas and the policy of discrimination between private and collective farms will continue to handicap agricultural production. In late September and early October the governments of Hungary, Poland, and Czechoslovakia began to complain that despite a good harvest, deliveries to the state were lagging. This lag was partially caused by the peasants' belief that additional concessions would be made and by their reluctance, in view of past currency reforms and forced loans, to surrender their crops until more consumer goods become available. The governments have stressed that no new concessions are contemplated, and in Hungary laggards were threatened with a ten percent increase in quotas.

The new policies, therefore, are not adequate to solve the acute Eastern European agricultural problem. Food shortages and peasant resistance can be expected to continue.

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ARABS DEMAND HIGHER OIL ROYALTIES

The Western oil industry in the Middle East is faced with another round of Arab demands for higher oil revenues. Saudi Arabia is currently challenging the justice of the pricing arrangements under which it makes a 50-50 split of the profits with the Arabian American Oil Company (ARAMCO). Negotiations are scheduled to be reopened on 8 November and judging by the past, Saudi Arabia will try to reinforce its position with crippling restrictions on the operations of the company if it proves too stubborn (see map p. 17).

In the end, however, ARAMCO will probably yield, thus permitting the first inroads on the 50-50 principle which the company hopefully introduced into Middle East oil operations in 1950. Eventually the Arabs may demand successively higher percentages of the revenues.

Any Saudi gains will set new goals for the other oil-producing states -- Iraq, Kuwait, Qatar and Bahrein -- which obtained 50-50 agreements shortly after Saudi Arabia.

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The Saudi negotiations will in part set the pace for Lebanon and Syria, where a new aspect of the problem is being raised. Jealous of their rich oil-producing neighbors, the states with transit pipelines argue that "Arab oil" should be more equitably shared among all Arabs. While this argument promises to figure prominently in intra-Arab politics and finance, its present impact is felt in demands that the pipeline companies share the "profits" realized by shipping oil through pipelines rather than by tanker through the Suez Canal. The companies stoutly insist that such a principle is not applicable to a transport industry and that the present fixed-fee arrangement should prevail. They are the objects of press campaigns in both Lebanon and Syria.

Lebanon still refuses to ratify a 1952 agreement with Iraq Petroleum and demands the renegotiation of a 1952 agreement with TAPLINE, ARAMCO's pipeline company. The Beirut government says that it cannot accept these agreements because they were signed by the late, discredited Khoury regime. The companies cite the Lebanese actions as exemplifying the industry's need for long-term security and protection from unilateral denunciation of agreements.

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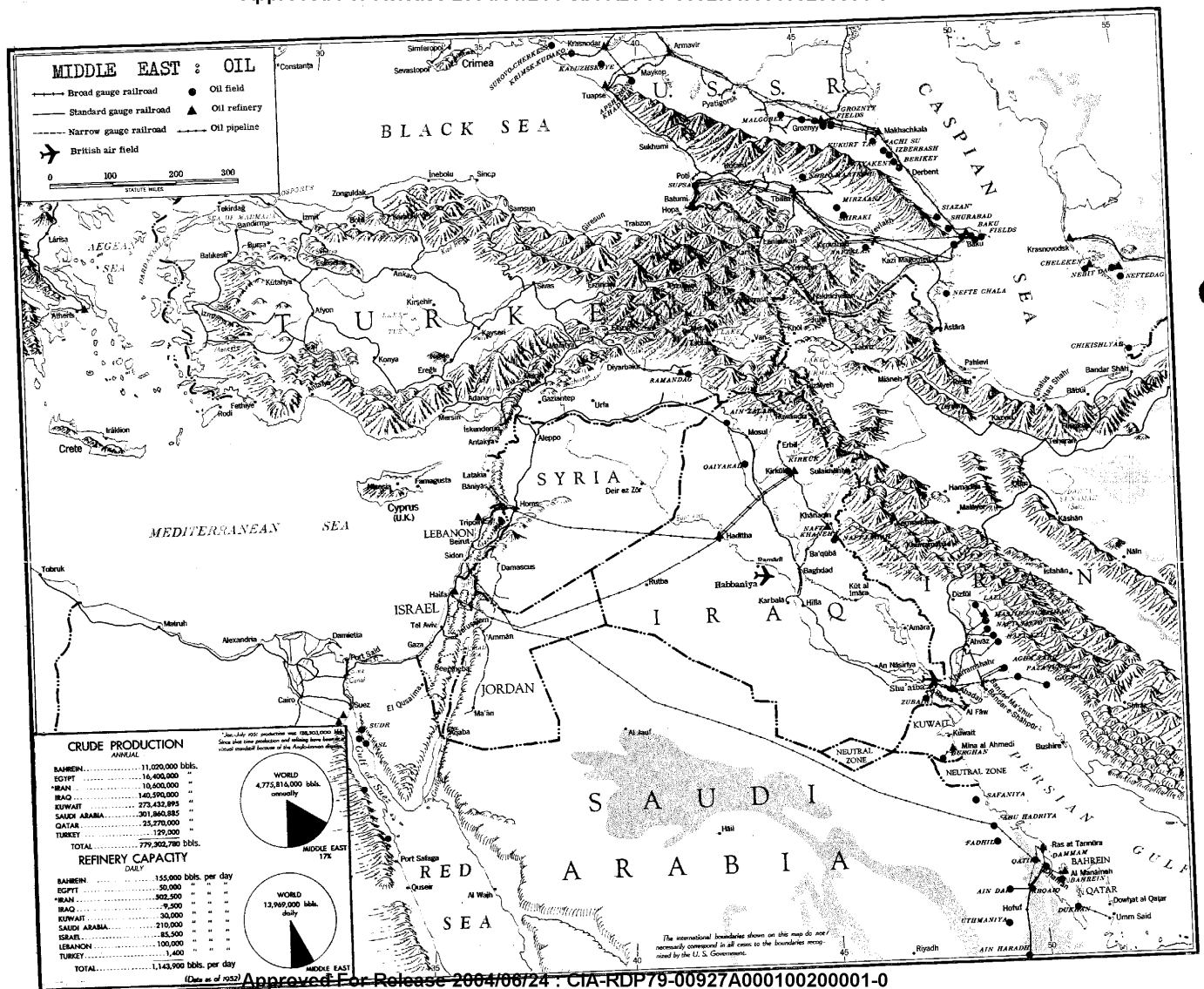
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In Syria, President Shishakli is expected soon to reopen long-pending negotiations with Iraq Petroleum with a "share the profits" demand calling for \$28,000,000 annually rather than the current \$4,720,000. He has suggested that Syria receive 49 percent and Iraq Petroleum 51 percent of the savings effected by pipeline as against tanker shipment. These negotiations are partly coordinated with the Lebanese and are closely watched by Jordan and Egypt. Astride the Suez Canal, Egypt may emerge from the current Anglo-Egyptian negotiations as a dominant factor in setting tanker rates and thus would be in a position to make common cause with the transit states vis-a-vis either the producing states or the pipeline companies.

The Arab League's recently established Petroleum Committee has recommended that the Arab countries take over the production and distribution of oil in order to prevent leakage to Israel and also that steps be taken to prevent the Western powers from fixing prices without prior consultation with the producing states.

Rivalry among the Arab states may eventually force the producing states to make favorable loans or grants to the transit states. In the coming negotiations, however, the Arab states will be united against the companies in unremitting pressure for a greater share of the profits.

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SPECIAL ARTICLE

ANALYSIS OF THE PURGES IN THE USSR'S
GEORGIAN REPUBLIC

The purges and counterpurges in the Georgian Republic over the past two years were apparently touched off by Stalin's strong personal interest in his native republic's affairs and perhaps by some degree of high-level political maneuvering against Beria. The 1951-1952 purges in the republic's party and government administration suggested that Stalin held Beria personally responsible for the degree of corruption which had developed there. The April 1953 developments showed that with Stalin out of the way, Beria was proceeding with a free hand to return many of his earlier followers to power.

In the latest purge, last September, Beria's associates were again ousted, and it appeared that henceforth Georgian affairs would be run by Khrushchev, the party first secretary in Moscow, who would not be influenced by national ties.

Beria rose to national prominence during the 1930's through police and party work in the Caucasus. In 1938 he left his post as first secretary of the Georgian party to become head of the NKVD, but it was assumed that he retained great influence over party affairs in his native republic. In 1951-52, however, top Georgian party and government leaders, many of them Beria proteges, were replaced on charges of corruption and leniency toward the growth of local as opposed to Soviet nationalism. Many characteristics of these purges suggest that they were to Beria's disadvantage, and it is significant that Soviet press coverage of the period often attributed the house-cleaning to Stalin's personal instructions.

In April of this year, following Stalin's death, the 1951-52 purges were dramatically exposed as a provocative plot to discredit loyal party cadres and incite feelings of national hatred. All three party secretaries and nine members of the 13-man buro were removed. This was followed by an extensive replacement of the republic's ministerial personnel. Three men who had been arrested in the 1951-52 shake-ups were exonerated and given key positions in the new government.

This reversal closely resembled the reversal of the doctors' plot on 4 April. In fact, the alleged ringleaders of the two

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plots were linked together in the Georgian press as being partners in crime. Both reversals, clearly repudiating actions taken during Stalin's lifetime which had appeared to reflect unfavorably on Beria, probably resulted from the increase in Beria's power and freedom of action after Stalin's death.

Members of the new leadership elected in April were pointedly described in the press as "men trained under the best son of Georgia and Stalin's companion, Lavrenti Beria," and analysis of their careers supports this statement. Of the 13 members of the newly elected buro, six including the first secretary had served previously on the 1938 buro headed by Beria. Two other members of this group, V. M. Bakradze, the chairman of the Council of Ministers, and V. G. Dekanozov, the MVD minister, had had particularly long associations with Beria.

Bakradze was second secretary of the Georgian Central Committee under Beria from 1934 to 1937. Dekanozov's career also began in Georgia, where he worked in the secret police under Beria from 1921 to 1931. He was apparently one of the few Georgians Beria brought with him to Moscow in 1938.

These appointments once again gave Beria control over Georgian affairs. Following his downfall in July, however, virtually all of these long-time associates were replaced. A party plenum on 20 September noted that the Georgian party buro and Council of Ministers had failed to fulfill the July decree of the all-Union central committee of the party, the decree which ousted Beria from his party and government posts. The first secretary of the party was replaced and a new central committee buro elected from which all of Beria's earlier appointees to party posts were absent. Subsequent decrees removed the chairman and key members of the Council of Ministers. Significantly, the plenum was attended by all-Union party secretary N. N. Shatalin, who was probably sent from Moscow to assure that the reorganization would be thorough.

The new leadership is composed primarily of Georgians who played no major role in the political maneuverings of the last two years. The first secretary, V. T. Mzhavanadze, although a native of Georgia, gained his party experience in the Ukraine. It appears that the Kremlin, in appointing such officials, is attempting to neutralize the bitter factionalism of the last two years.

With the exodus of Stalin and Beria, it is unlikely that Georgian local politics will again be used by top Soviet leaders in their personal maneuverings for power. Instead of being controlled by an influential native son in Moscow, Georgia will be relegated to the position of the other Soviet republics, whose party affairs are on the whole uniformly and impersonally directed by the all-Union secretariat.

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